



AUTUMN24

**AM I LIABLE
FOR COMPANY
DEBTS?**

**AN
IMPORTANT
MOMENT
FOR
INTEREST
RATES**



**WHAT IS
WRONGFUL
TRADING
AND HOW
CAN IT BE
AVOIDED?**

**STRIKING
NUMBERS**

‘Am I liable for company debts?’

In a word, no. This is because a Director is protected from personal liability by what is known as ‘limited liability’.

However, certain situations can arise where directors can be compelled to make a personal contribution to the company for the benefit of creditors, for the losses they have suffered if the Director has not taken the correct steps prior to insolvency.

This may occur when a director is found guilty of wrongful trading.

But, what is wrongful trading and how can it be avoided?

Wrongful trading is when a director of a company has continued trade after they have concluded (or should have concluded) that there is no reasonable prospect of the company avoiding a formal insolvency procedure. At this point they have an obligation to act diligently and minimise

potential losses to the company’s creditors, which when carried out properly will avoid the risk of wrongful trading. But, early advice should be sought from an Insolvency Practitioner.

Griffin & King can provide further advice to directors concerned about personal liability. Please contact one of our team to arrange a meeting where we will explain your position and assess all available options.

Striking Numbers

September 2024
Everyday in the UK

Personal Debt in the UK

The population of the UK shrunk by an estimated **1,584** people a day between mid-year 2021 and mid-year 2022.

- On average, a UK household spends **£3.44** a day on water, electricity, and gas.
- **333.4** people a day were declared insolvent or bankrupt in England and Wales in June to August 2024. This was equivalent to one person every **4 minutes and 20 seconds**.
- In Northern Ireland in the three months to August 2024, there were **4** insolvencies per day. In Scotland in the three months to June 2024 there was **22.3** insolvencies per day.
- Citizens Advice Bureaux in England and Wales dealt with **1,222** debt issues every day in the year to August 2024.
- **10.77** properties were repossessed every day in April to June 2024 in the UK, or one every **2 hours and 20 minutes**.

• The number of UK mortgages with arrears of over 2.5% of the remaining balance increased by **38.8** a day in the year to June 2024.

• The number of people unemployed in the UK decreased by **121** per day in the twelve months to July 2024.

• **901** people a day reported they had become redundant in May to July 2024.

• Net lending to individuals and housing associations in the UK increased by **£126 million** a day in June 2024.

• Government debt increased by **£517 million** a day in the three months to July 2024.

• Borrowers paid **£218 million** a day in interest in July 2024.

• It costs an average of **£25.28** per day for a couple to raise a child from birth to the age of 18.

• For a lone parent family, the cost of raising a child comes to **£33.54** per day.

• **55.8** mortgage possession claims and **35.2** mortgage possession orders were made every day in England and Wales in April to June 2024.

• **262.7** landlord possession claims and **198.5** landlord possession orders were made every day.

IVAs – What Debts Can and Can't Be Included

What is an IVA? It's a binding agreement with creditors to pay back a proportion of an individual's debts over a period of time. It's also, an alternative to bankruptcy, which in certain circumstances does work better for the debtor. Below is a reminder of what debts can and can't be included in an IVA.

Debts that can be included:

- Credit cards
- Unsecured loans
- Overdrafts (unsecured)
- Hire purchase on vehicles or equipment no longer needed
- HMRC – VAT, PAYE, personal tax or national insurance
- Money owed to friends or family
- Store cards
- Excess debt on repossessed properties

Debts that can't be included:

- Student loans
 - Other educational loans
 - Criminal court fines
 - Traffic offence fines or parking tickets
 - Borrowings secured on property
 - Child support debts
 - Hire purchase debts on vehicles or equipment needed
 - Arrears on rental property which is occupied
- Of course, if in any doubt call us. We pride ourselves on explaining the pros and cons of an IVA and how it fits into the debtor's circumstances. If we don't think an IVA is right, we'll say. If you have any questions or think we might be able to help please call 01922 722205 speak to Tim Corfield or Carrie Withers, or any one of the team.

Arising from the Current Climate

The UK has undergone a significant degree of political and financial turmoil over the past few years.

The pandemic and ongoing cost of living and energy crises, among other events, have affected the lives and finances of many people across the UK. Following are some striking statistics, curated over the last few weeks to reflect the situation as it evolves:

1.9m

The number of UK pensioners living in relative poverty; this represents 16% of all UK pensioners (Age UK).

7%

The percentage of young people receiving Financial Education in dedicated personal finance lessons. Financial Education is more likely to form part of PSHE (12%) or Economics (17%) lessons (Young Money Index).

53%

The percentage of employees who are going to work for longer than planned due to concerns about their Financial Wellbeing in retirement (Aviva).

93%

The percentage of adults who reported that the cost of food shopping has increased their overall cost of living (ONS).

£107,800

The average housing benefit payment in May 2024; the Local Authority with the highest average payment was Brent (£231.95) and lowest was Falkirk (£79.23) (DWP).

86%

The percentage of adults reporting the cost of living as one of the most important issues facing the UK in August 2024; 49% reported that their cost of living had increased in the previous month (ONS).

70%

The proportion of disposable income that the poorest fifth of the population households with dependent children have to spend to afford the NHS' recommended nutritious diet (Barnardo's).

Statistics Source: <http://www.themoneycharity.org.uk> - We have assisted many people with personal debt in the UK - view our testimonials here <https://www.griffinandking.co.uk/testimonials.php>

An Important Moment

Bank of England boss, Andrew Bailey has said the decision to lower interest rates from 5.25% to 5% is 'an important moment

in time'. Rates have been lowered for the first time since the start of the pandemic in August in what does feel like a relief for home owners and business owners alike.

Higher rates puts pressure on debt repayments and therefore cash flow and after a lot of business owners had to borrow to make it through the pandemic the last several years have been

a turbulent time. With Insolvency figures exceeding pre pandemic levels in the last 12 months this is sure to be a welcome relief.

Will this see the start to growth the UK economy is so desperate for? We shall see, won't we, Sir Kier.

Cash (flow) is King

Those of us in business know how important a great and reliable workforce are.

The National Living Wage protects the lowest paid workers, and The Low Pay Commission is planning to increase it to at least £12.10 per hour. Very welcome news for all employees, but less so for business leaders.

Tina McKenzie from the Federation of Small Businesses said that “When mandatory wage increases come without the right support, small firms face intense pressure, making it harder to survive and recruit those who are out of work... small firms are now saying labour costs are

their biggest cost pressure. Our research shows 64 per cent of small firms are responding to the April 2024 increase in the national living wage with more risk-averse recruitment practices, meaning those out of work and economically inactive are already finding it harder to find roles.” Could this put further strains on cash flow for businesses? Will it mean that businesses will struggle to pay their staff? Which in turn will likely mean struggling to pay supplies, H M Revenue & Customs, and other creditors and at that point your business could be insolvent. Nevertheless, paying staff should always be considered a priority. Where terms with suppliers or HMRC could be negotiated failing to pay staff exactly what they are owed and on time

could spell disaster for your business. How would you react if you were not paid? There are options; emergency funding from overdrafts or credit cards if it is a one-off or longer-term solutions such as invoice financing, early payment discount to debtors, inject personal funds, or speak to an Insolvency Practitioner about restructuring your business. There are procedures available such as Company Voluntary Arrangements and Administration to rescue a business. Griffin & King can help with any of the available options through our contacts within industry or our professional experience in dealing with distressed businesses. Call us today to arrange a no obligation consultation with one of our team to discuss any of the issues in this article.

Staff Corner - Berlin

This summer Tim and James went on what turned out to be an unsuccessful mission to bring football home when they went to Berlin to see the Final of the European Championships. It was great to be there and a super day catching up with friends but unfortunately it was one game too many for England.



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We are experienced
Insolvency Practitioners
who will help you
consider all your options.